

IT COMPANY CHIEF EXECUTIVE - DO YOU REALLY OWN YOUR TECHNOLOGY?

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FEBRUARY 2003

Patents are critical to the IT company, or any technology driven company with substantial markets. The patent owner or exclusive licensee can exclude others from using a technology and with the right patents control an entire market. Lawsuits in the electronics, telecom, semiconductor, software, and Internet industries have proven that patent owners are not afraid to wield their patents and exclude their competitors from the market.

Your company cannot expect an exclusive position in a market unless its patents can exclude competitors from that market. Moreover, your company cannot sell in a market unless it is free to operate in that market — free from patent liability to its competitors.

As the Chief Executive, how would you respond when asked if you have sufficiently protected your technology? Would you answer “Yes, of course! We own our technology, and there is nothing keeping us out of our most valuable markets?”

Are you sure? Ask yourself:

Have I made sure our position in the market is really protected? Or are we just protecting certain implementation-specific technologies while leaving gaping holes in our patent protection that will allow competitors to compete with us? Have I expressly resolved with our parent counsel the big questions—

- What market do we want to protect?
- Where is the technology in our market headed?
- Have we patented the general aspects of our technology critical to protecting our market, or have we just patented the specifics of our products that are easy to design around?

Have I made sure we are free to operate our business? To what extent are we free to operate our business in our market, i.e., free from liability for infringing others' patents? Here, again, have I resolved with our parent counsel certain critical questions —

- What technologies do we need to employ to be in our markets, now and in the future?
- Do we really know about all relevant competitor and third party patents covering those technologies?
- Do we have a plan to address all such patents — e.g., a license?

Are we doing all we can do? You might answer these questions with one simple response: “We are doing the best we can, and that’s all we can do.” Do not let that keep you from probing these issues a little deeper because there is probably more your company can do.

The following are just some of the strategies and tactics that can be employed to help your company with these key issues.

You may be proactive in your filing strategy; patent filings can be infrequent by the protection you seek rather than merely by the ideas submitted by your technical personnel.

First, file applications based on your parent needs. Encourage your technical staff to submit patent disclosures of a certain type, and have your parent counsel look into the patent disclosures you have with a particular market exclusivity in mind — rather than just following the inventor’s lead in defining the protection sought.

Second, suppose it is not possible for a single broad “dominating” patent to be obtained covering a given new, lucrative technology. Don’t give up

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there. It may be possible for your company, your competitors, or both (a race then ensues) to obtain "dependent" patents (see "What are 'Dominating' and 'Dependent' patents?" below) covering critical dependent technologies that add to the technology.

You may license in (exclusively) or buy patents. It may not be too late to buy or license critical patent protection — even if your company entered the market late or failed to timely file for patent protection to its own developments.

You may license in patents non-exclusively to avoid patent liability.

It is even more economical for a company to obtain licenses to patented technology. These are essentially "covenants not to sue," and remove the fear and uncertainty of being sued by the patent holder. However, beware that just as a patent cannot give its owner the right to practice the invention (see "What are 'Dominating' and 'Dependent' patents?" below), it also cannot give the licensee the right to practice the invention.

You may file a *lausuit* or defend against a *lausuit*. While patents must be litigated in order to be en-

forced, patents need not always be litigated to be of value or to wield influence. As Sun Tzu said, a good general will always prefer to break the enemy's resistance without fighting. However, a patent holder (or one defending against a patent) will want to go to the mat will be taken more seriously.

Attack a patent at the US Patent Office (or in an Office Abroad — e.g., in Germany or the European Patent Office). Various proceedings are available before the Patent Office to challenge a patent. Reexamination and public use proceedings are two examples. Even when such proceedings can be successfully launched, they can be difficult and risky for the challenger. For example, a patent owner may survive a reexamination with an even stronger patent — having had the chance to "fix" any problems before the examiner at the Patent Office.

Interference proceedings can be actively pursued. The US is the only country where a patent is issued to the first to invent, rather than the first to file a patent application.

Thus, if more than one company files a patent application for a common invention, it may be possible for a battle to ensue before the Patent

Office for the patent rights to that common invention.

Embark on intelligence-gathering activities. The best prepared companies monitor the market and patent activity of their competitors and make tactical adjustments based on intelligence. For example, published patent applications and issued patents can be located by owner or by technology and reviewed periodically.

Are there any safe harbors? There are no "safe harbors" or "silver bullet" solutions to avoiding patent liability. It is possible to publish an invention early — to make it harder for a competitor to attempt to patent the same invention later. Some also may rely on the First Inventor Defense Act (a law that allows a user of a business method to continue using the method under limited circumstances — if it can successfully prove certain facts). These approaches are limited in their practical usefulness.

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What are "Dominating" and "Dependent" Patents?

Patents come in all shapes and sizes. There are patents to inventions that provide the owner with a dominating position (dominating patents). For example, consider a patent to the first hinged door; anyone that wants to make and sell doors needs to obtain a license (i.e., a covenant not to sue) from the hinged door patent owner.

There are also dependent patents. These patents are to technologies that add to the dominating patent technology. For example, a patent to the first door knob would be "de-

pendent" upon the hinged door patent, in the sense that anyone that wants to use door knobs on hinged doors would need a license from the hinged door patent owner.

Dependent patents can be valuable, as their commercialization can promote sales of the product covered by the dominating patent and act as an incentive to the owner of the dominating patent to grant a license to the holder of the dependent patent. The owner of the dominating hinged door patent may be interested in also putting door knobs on those doors — and thus bargain for a

"cross-license" with the holder to the dependent patent.

A common misconception is that a patent gives its owner the right to use the patented technology. This is not true. The patent only allows its owner to exclude others from using the patented technology. Someone else may have a patent covering part of the technology. In the above example, a third party could also have a patent to the hinge — resulting in patent liability for the hinged door patent owner for practicing his or her own patent.